



COUNTY OF LOS ANGELES

2016-17 Budget Issues



Presented by
Sachi A. Hamai, Chief Executive Officer



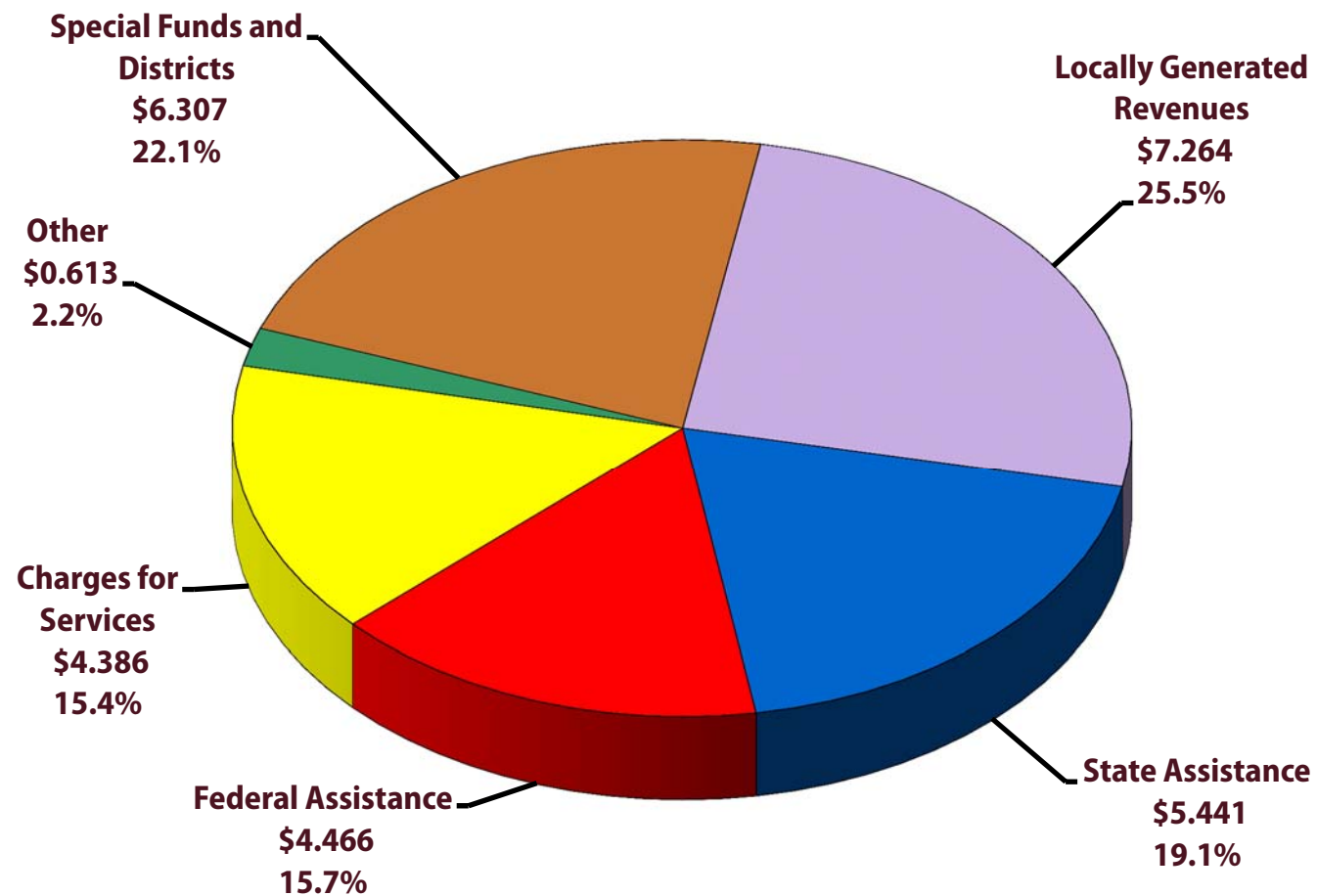
BUDGET ISSUES

- ◆ Where do the resources come from?
- ◆ Where do the resources go?
- ◆ Future budget issues – where are we heading?



WHERE DO THE RESOURCES COME FROM?

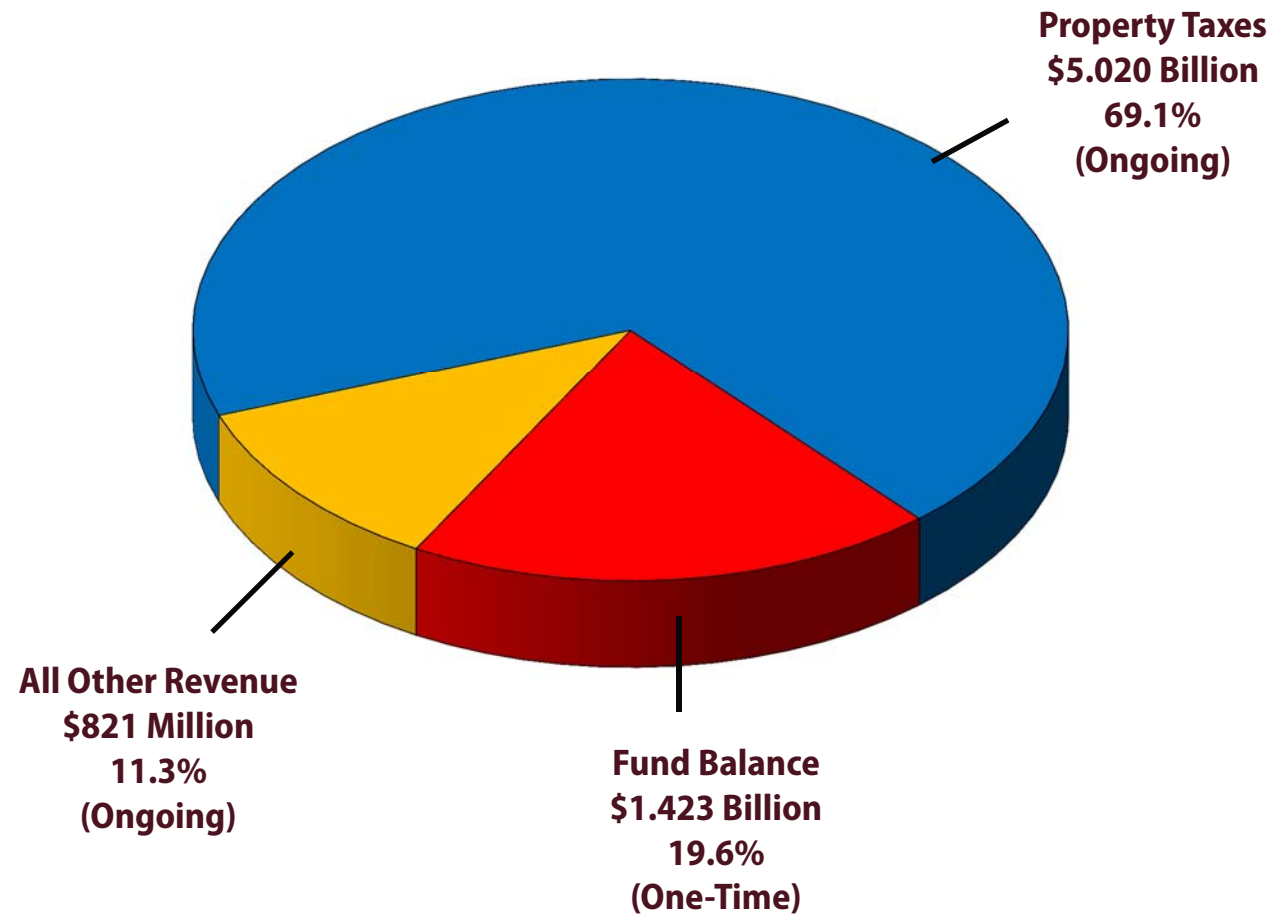
TOTAL REVENUE: \$28.477 BILLION





2016-17 LOCALLY GENERATED REVENUES: \$7.264 BILLION

(Used to finance net County cost)

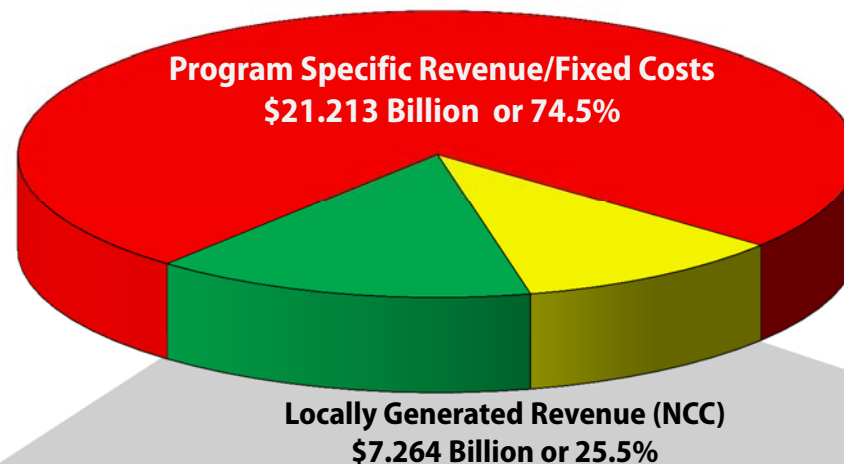




WHERE DO RESOURCES GO?



MANDATED VS DISCRETIONARY COSTS \$28.477 BILLION



Fixed Costs
\$21.213 Billion or 74.5%

Flexible Costs
\$4.338 Billion or 15.2%

MOE & Mandatory Costs
\$2.926 Billion or 10.3%



FOCUS: 2016-17 RECOMMENDED BUDGET



ADVANCES KEY BOARD PRIORITIES

Providing critical support across a wide range of needs and reforms

- ◆ Homelessness and housing
- ◆ Sheriff's Department progress
- ◆ Diversion and re-entry
- ◆ Healthcare integration
- ◆ Child protection
- ◆ Wage enforcement
- ◆ Economic development
- ◆ Proposition 47 reduced-penalties law
- ◆ In-Home Supportive Services



FUTURE BUDGET ISSUES



Looking ahead to issues that span multiple budget years

- ◆ Fully funding the Rainy Day Fund
- ◆ Combatting homelessness
- ◆ Creating affordable housing
- ◆ Investing in deferred maintenance and aging infrastructure
- ◆ Replacing legacy information technology systems
- ◆ Supporting stormwater pollution cleanup



FUTURE BUDGET ISSUES



BUILDING RAINY DAY FUND RESERVES

- ◆ Best practice recommended by Government Finance Officers Association
- ◆ Current rainy day reserve policy – 10%
- ◆ Balance in Rainy Day Fund Reserve - \$338 million (6%)
- ◆ Amount needed to reach current policy level - \$235 million (4%)



FUTURE BUDGET ISSUES



HOMELESS AND HOUSING INITIATIVES

- ◆ Most important issue facing the County today
- ◆ Board approved 47 homeless initiative strategies on February 9, 2016
- ◆ \$98.7 million in dedicated funding
- ◆ Need upwards of \$450 million annually in ongoing funding to close the homeless gap (not including construction costs)
- ◆ Must secure ongoing revenue source to sustain efforts to fight homelessness
- ◆ \$100 million in annual funding by FY 2020-21 to provide affordable housing



FUTURE BUDGET ISSUES



INVESTING IN DEFERRED MAINTENANCE AND AGING INFRASTRUCTURE

- ◆ County building inventory is large with approximately 4,000 buildings totaling 45 million square feet
- ◆ 60% are over 50 years old and have \$1 billion in deferred maintenance needs
- ◆ These assets are essential to the financial viability of the County, the delivery of public service, and the provision of opportunities for innovation
- ◆ Strategic asset management plan to address these challenges



FUTURE BUDGET ISSUES



REPLACING OUTDATED IT LEGACY SYSTEMS

- ◆ Cost to replace IT systems - \$256 million
- ◆ Outdated systems include:
 - IT legacy systems - \$202 million
 - Data center - \$27 million
 - Network infrastructure - \$19 million
 - Telephone system replacement - \$8 million



FUTURE BUDGET ISSUES



UNINCORPORATED AREA STORMWATER

- ◆ Compliance required by Federal Clean Water Act
- ◆ County plans to implement 11 enhanced watershed management programs
- ◆ As of April 19, 2016, State Water Board has approved 4 of the 11 plans
- ◆ Projected regional cost is \$20 billion over 20 years (County's share is \$2.7 billion)
- ◆ Identify funding to implement a Drought Resiliency Work Plan



CONCLUSION

- ◆ Mindful of potential economic downturn
- ◆ Future budget demands under consideration will require difficult decisions on existing priorities and resources
- ◆ The magnitude of potential expenditures require a phased-in and balanced approach to ensure fiscal sustainability
- ◆ CEO will work with the Board to maintain a balanced budget while preparing the County for future budget issues